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Taiwan

Cotton and Products

Cotton Update - November 2003

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Report Highlights:

The relatively quick passage of the Severe Atypical Respiratory Syndrome (SARS) crisis in summer 2003, boosted textile production, allowing cotton imports to rise to 265,000 mt in MY02/03. Imports are expected to decline sharply in MY03/04 to 210,000 tons because of high cotton prices, uncertainty over a return of SARS and the long-term decline in Taiwan's textile industry. The U.S. market share for imported cotton will also likely return to the historical average of between 30 and 35 percent from 54 percent in 2002. Note: PSD now contains most recent Official USDA numbers.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Taipei [TW1]
[TW]

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Executive Summary

Post revises MY02/03 cotton imports to 265,000 mt based on trade data and forecasts a further decline in MY03/04 to 210,000 tons because of high cotton prices and the long-term decline in Taiwan's textile industry. U.S. market share will also likely return to a more normal 30 and 35 percent from a historical high of 54 percent in 2002.

Consumption

A quick resolution to the Severe Atypical Respiratory Syndrome (SARS) in June-July 2003 boosted textile production and cotton consumption above previously forecast levels to 270,000 mt in MY02/03 or 1.2 million bales. However, cotton consumption is expected to decline further in MY03/04 to 220,000 tons or 1 million bales because of high cotton prices and the continuing long-term decline in Taiwan's textile industry.

High cotton prices will likely depress cotton imports because they encourage substitution to artificial fibers and raise the costs of importing. In addition, volatility in the cotton market and a concern about a return of SARS may also depress consumption. Although yarn prices are up by 33 percent in the last two months, business remains slow because textile producers are holding out for further increases to cover their higher expenses. This has encouraged mills to stretch out their inventory by slowing down production.

Over the long-term, Taiwan's textile industry is facing increasing competition in its traditional domestic and export markets from the PRC, especially in low cost items such as cotton denim fabric and low count yarns. Taiwan's competitiveness continues to erode because of high wages, expensive land, a lack of branding expertise, and increasing competition from other Asian countries.

Taiwan has an estimated 1.7 million active spindles, a dramatic fall from 2.8 million in mid 1999. The spindle total is expected to continue falling by 100,000 a year. Industry sources note that these numbers do not reflect actual capacity utilization because each spindle is idle more often than in the past.

Trade

Since Taiwan's cotton consumption is supplied entirely by imports, demand and imports move together. Total imports in MY03/04 are expected to total only 1 million bales (220,000 mt). Lower imports will also help push stocks down to 87,000 in MY03/04. Taiwan's MY 02/03 imports totaled 1.2 million bales (265,000 tons), sharply down from 1.5 million bales (333,000 mt) in MY01/02.

Composition of Imports

U.S. market share is expected to fall to the historical average of between 30 and 35 percent in MY03/04 as Taiwan importers seek to cut costs. Pakistan and Brazil are expected to gain because of low offer prices for middle grade cotton. Contacts report that Brazilian cotton is entering Taiwan at 64 cents versus 83 cents C&F for U.S. product.

U.S. market share is not expected to decline further because of U.S. price competitiveness, consistent quality and reliable delivery. In 2002, low prices gave the U.S. an unprecedented 54 percent of the cotton market with total exports exceeding 830,000 bales. In MY 00/01, the U.S. had a market share of 32 percent, which is close to the pre-2000 historical average.

Taiwan also permits the import of PRC cotton, unlike most PRC agricultural products. Since the entry of Taiwan and the PRC into the WTO, Mainland cotton imports have increased sharply and will likely pose strong competition for the U.S. in years to come.

PS&D Table: Cotton

PSD TABLE						
Country	Taiwan					
Commodity	Cotton					(HECTARES)(MT)
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		08/2001		08/2002		08/2003
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Beginning Stocks	51383	51383	100807	101578	104944	96920
Production	0	0	0	0	0	0
Imports	333339	333240	265409	265342	228613	210000
TOTAL SUPPLY	384722	384623	366216	366920	333557	306920
Exports	871	0	0	0	435	0
USE Dom. Consumption	283045	283045	261272	270000	261272	220000
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	283045	283045	261272	270000	261272	220000
Ending Stocks	100807	101578	104944	96920	71850	86920
TOTAL DISTRIBUTION	384723	384623	366216	366920	333557	306920

Important Note: This table has been revised to contain the most recent Official USDA numbers.

Import Trade Matrix: Cotton

IMPORT TRADE MATRIX			
Country	Taiwan		
Commodity	Cotton		
Time period	08/2001	Units:	metric ton
Imports for:	2001		2002
U.S.	86250	U.S.	116952
Others		Others	
China	26000	Togo	28612
Togo	22600	China	24350
Uzbekistan	17000	Uzbekistan	15815
Australia	16300	Australia	13982
Cote D'Ivoire	11260	Cote D'Ivoire	10956
Mali	8300	Mali	9032
Burkina Faso	4200	Burkina Faso	5925
Tanzania	4100	Uganda	4656
Uganda	4000	Benin	4363
Total for Others	113760		117691
Others not Listed	19990		30699
Grand Total	220000		265342